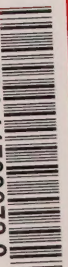


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**Farmer's & Fisherman's Guide for the
preparation of the 1949 Income Tax Return**

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Canada. National Revenue, Sept. 7.
Taxation Division



CANADA

*Farmer's
and
Fisherman's Guide*

FOR THE PREPARATION OF THE

1949

Income Tax Return

(FORM T.1 GENERAL)

Issued by

DEPARTMENT OF NATIONAL REVENUE, TAXATION DIVISION

DR. JAMES J. McCANN,
Minister of National Revenue



See B. and D. in McCann's

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CANADA

Farmer's
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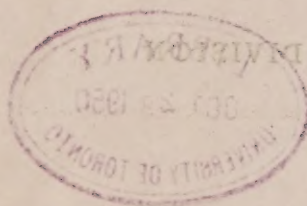
FOR THE PREPARATION OF THE

1949

Income Tax Return
(FORM T-1 GENERAL)

Printed by

THE JAMES MCGILL
Printer of National Revenue



DEPARTMENT OF NATIONAL REVENUE, TAXATION DIVISION

A GUIDE FOR THE PREPARATION OF THE FARMER'S AND FISHERMAN'S 1949 INCOME TAX RETURN

This guide is designed to help the Canadian farmer and fisherman in preparing his 1949 income tax return. It is only a guide and is not intended to give complete information on income tax. If further help is needed it can be obtained readily from your District Income Tax Office.

District Income Tax Offices are located at:

St. Johns, Nfld.	Toronto, Ont.
Charlottetown, P.E.I.	Hamilton, Ont.
Sydney, N.S.	London, Ont.
Halifax, N.S.	Fort William, Ont.
Saint John, N.B.	Winnipeg, Man.
Quebec, Que.	Saskatoon, Sask.
Sherbrooke, Que.	Regina, Sask.
Montreal, Que.	Edmonton, Alta.
Ottawa, Ont.	Calgary, Alta.
Kingston, Ont.	Vancouver, B.C.
Belleville, Ont.	Dawson, Y.T.

Permanent sub-offices are located at:

Kitchener, Ont.	Lethbridge, Alta.
St. Catharines, Ont.	Victoria, B.C.
Windsor, Ont.	

GENERAL INFORMATION

Where to obtain an Income Tax Form:—

All Post Offices and District Income Tax Offices have a supply of income tax forms. There are only two types of income tax forms for the use of individuals. *Be sure you obtain the right one.* Canadian farmers and fishermen should use the large size form known as the T.1 General 1949.

Number of copies to be filed:—

Only *one* completed copy is to be mailed or delivered to your District Income Tax Office. You should, however, keep a completed copy for your own reference.

Who must file:—

Every farmer and fisherman must file an income tax return who:

- had taxable income in 1949
- plans to average income
- has had a basic herd established
- receives a demand from the Department to file a return.

When to file:—

Returns must be filed on or before 30th April, 1950.

There are penalties for late filing. Try to file as soon as possible to avoid the last minute rush.

Where to file:—

Mail or deliver your return to your District Income Tax Office.

SUGGESTIONS FOR COMPLETING

YOUR RETURN

As you read this guide, you will find it helpful to have form T.1 General 1949 in front of you.

In addition to being used by farmers and fishermen, form T.1 General 1949 is also used by businessmen, doctors, lawyers and commission agents. For this reason, many items on the form will not apply to you. It is, therefore, not necessary for you to read the whole form. Begin on Page 1 and follow the instructions outlined on the form.

The front page should be completed first. It contains questions that can be answered quickly without reference to your records. The Certification appearing on this page should be completed and signed by you before your return is sent in. Failure to do so will result in unnecessary correspondence with your District Income Tax Office.

After completing the first page, farmers and fishermen should turn to Page 4 which is the back of the form. The parts which appear on this page are discussed below under headings printed exactly as they appear on the form itself.

PART I—

Income from Businesses, Professional Fees, Commissions

(Include total Income and Expenses of a Partnership)

If you are operating another business in addition to farming and fishing, the income and expenses of such a business should be shown here. If you receive Commissions, Council or other fees, these should also be shown in this part.

PART 2—

**Income from Farming
or Fishing**

(Include total Income and Expenses of a Partnership)

Show in this section your income from farming or fishing and the expenses of earning such income.

INCOME

First read all the items of income, checking only those which apply to your farming or fishing operations. Then, fill in the amount applicable to the items you have checked.

If you have other kinds of farming or fishing income which are not described on the form, use the blank spaces to describe them.

If space on the form is insufficient for all your items of income and expenses, list the extra items on a separate sheet of paper and attach it to your return.

Do NOT include as income:

Money that you have inherited

Life insurance paid to you

Money that you have borrowed

Proceeds from the sale of farm land

Any other items of exempt income shown at the top of Page 2 of the T.1 General 1949.

The INCOME side of your statement might appear thus:

INCOME

Crops and Seeds	<i>wheat</i>	\$ 340.00
	<i>Rye</i>	\$ 120.00
	<i>Turnips</i>	\$ 845.00
		\$
Livestock and Livestock Products	<i>Cattle</i>	\$ 395.00
	<i>Hogs</i>	\$ 687.00
	<i>chickens</i>	\$ 522.00
	<i>milk</i>	\$ 3,142.00
		\$
Bees, Honey, Wax, Maple Products		\$
Fruits and Vegetables		\$
	<i>Apples</i>	\$ 160.00
		\$
Fish and Fish Products		\$
Custom Work		\$
Patronage Dividends, Rebates, Participation		\$ 42.00
Certificates, etc.		\$
Other (Wood, Sand, Ice, Hail Insurance, etc.)		\$
	<i>Christmas Tree</i>	\$ 120.00
TOTAL INCOME		\$ 6,373.00

EXPENSES

The most common expenses allowed as deductions from income for tax purposes are listed under this heading. If you have other kinds of farming or fishing expenses that do not appear on the form, use the blank spaces to describe them.

Each item should be the total amount of money spent during the year to earn the income of your farming or fishing operations. You may claim only that portion of your automobile expenses which was spent for your farming or fishing operations. The balance must be considered as personal expenses.

You should have received and retained receipts to cover major expenses claimed.

If you have paid wages to hired help, prepare a statement showing the name and address of EACH employee, whether married or single, the amount of cash wages paid to each, and the estimated value of free board and lodging received by such employee while working for you.

Do NOT include as expenses:

Money used to pay off a mortgage or loan

Cost of machinery purchased

Value of animals which you obtained in earlier years and which have since died.

Value of seed or feed grown by you.

The EXPENSES side of your statement might appear thus:

EXPENSES

Seed, Plants, etc., purchased	\$ 35.00
Feed, Straw, Bait, etc., purchased	\$ 355.00
Sacks, Boxes, Twine, etc.	\$ 16.00
Livestock purchased	<i>Cattle \$150. Chickens \$52</i> \$ 202.00
Custom Work (specify)	<i>Threshing \$50. Silo Filling \$25</i> \$ 72.00
Gas, Oil and Grease used in occupation	\$ 140.00
Fertilizers and Sprays	\$ 68.00
Repairs, including Small Tools and Hardware	\$ 56.00
Rents paid	\$
Taxes and Licences (exclude Income Taxes)	\$ 165.00
Insurance (exclude Life Insurance)	\$ 66.00
Wages paid and board (attach details)	\$ 667.00
Interest paid	\$
Depreciation { Give details in Part 4 below using only columns 1, 2, 8 and 9. Allowable rates on this basis may be found in your Income Tax Guide.	\$ 418.00
Other (Telephone, Power, Ice, etc.)	<i>Power</i> \$ 82.00
	<i>Telephone</i> \$ 22.00
	<i>Veterinary Fees</i> \$ 18.00
* TOTAL EXPENSES (Carry to Income column)	\$ 2,382.00

Before calculating depreciation, read carefully Part 4 on Page 3 of this guide.

After completing the details of INCOME received and the EXPENSES of earning this income, you can determine the NET INCOME in the spaces provided in Part 2 of Page 4 by following the method used in the example below.

TOTAL INCOME	\$ 6,373.00
* LESS TOTAL EXPENSES (from Expenses column)	\$ 2,382.00
NET INCOME (Carry to Part 3 below)	\$ 3,991.00

Farmers and Fishermen should keep a record of all their business transactions so that they may, at the end of each year determine the amount of profit or loss.

The minimum requirements would be a day to day record of receipts and expenses. This could be totaled at the end of the year and enable you to prepare a correct income tax return.

A book with a number of columns is most convenient. These columns can be headed with the various items of income and expenses of your business and the amounts received from each item can be entered in its own column.

Items on which you may claim depreciation should be entered separately and a record kept of the depreciation taken until the item is either sold or completely depreciated.

If you are a member of a partnership, the total income and expenses of the partnership must be reported in your return. The adjustment of income showing only your share is to be made in Part 3 of the form.

PART 3— *Adjustments to Net Income*

If you are not in partnership, the NET INCOME just calculated, together with the NET INCOME from

NET INCOME from Parts 1 and 2 above (If Partnership, enter only your share _____%)	\$ 3,991.00
Add (a) your own salary or wages and interest on capital if included in expenses	\$
(b) non-allowable expenses such as donations (deductible on Page 2), salary or wages to wife (husband)	\$
(c) value of goods taken from stock or saleable products consumed in home (If Partnership enter only your share)	\$ 119.00 \$ 4,110.00
Deduct: Business Losses sustained in 1944-5-6-7-8 not previously deducted (If Partnership enter only your share)	\$
NET INCOME FOR PERIOD FROM <u>January 1, 1949</u> to <u>December 31, 1949</u> (Carry to Page 2)	\$ 4,110.00

PART 4— *Capital Cost Allowance on Depreciable Property (Depreciation)*

PART XVII

Order in Council P.C. 458, dated 31st January, 1950

ALLOWANCES IN RESPECT OF CAPITAL COST FARMING AND FISHING

1700. (1) Under paragraph (a) of subsection (1) of section 11 of the Act, there is hereby allowed to a taxpayer, in computing his income from farming or fishing, as the case may be, a deduction for each taxation year in respect of each property that was used for the purpose of gaining or producing income from farming or fishing equal to such amount as he may claim, not exceeding in the case of

- (a) a building or other structure, not described elsewhere in this paragraph, including component parts such as electric wiring, plumbing, sprinkler systems, air-condition equipment, heating equipment, lighting fixtures, elevators and escalators, 2½%,

Part 1, if any, is entered on the first line. If you are in partnership, enter only your share of that net income.

If you have included in your Expenses any salary or wages paid to yourself or your wife, the amount must be added back to the net income.

If you or your family have consumed any of your crops or other products that otherwise would have been sold, the cost value of these crops or products should be included here. You are not required to include any of your crops or other products that were not produced for sale such as the value of products from your home garden; on the other hand, the expenses connected with such items may not be included in your operating expenses.

NET INCOME and the adjustments are now added and the total carried to the right.

If your farming or fishing operations resulted in a net operating loss in 1944, 1945, 1946, 1947 or 1948, you may deduct from your income for 1949 any part of that loss which has not been absorbed against profits on a previous income tax return. If you wish to claim such a loss, further information may be found on Page 9 of this guide.

ADJUSTMENTS TO NET INCOME might appear thus:

- (b) a building or other structure of
- (i) frame,
 - (ii) log,
 - (iii) stucco on frame,
 - (iv) galvanized iron, or
 - (v) corrugated iron,
- construction including component parts such as electric wiring, plumbing, sprinklersystems, air-conditioning equipment, heating equipment, lighting fixtures, elevators and escalators, 5%,
- (c) a fence, 5%,
- (d) a scow or a ship as defined in the Canada Shipping Act, including furniture, fitting or equipment attached thereto (except radar and radio equipment), 7½%,
- (e) non-automotive equipment and machinery, 10%,
- (f) automotive equipment, a sleigh or a wagon, 15%, and

(g) radar and radio equipment, 15% of the depreciable cost to the taxpayer of the property.

(2) Where the taxation year is less than 12 months, the amount allowed as a deduction under subsection (1) shall not exceed that proportion of the amount allowable that the number of days in the taxation year is of 365.

(3) Where the taxpayer acquired a property after the commencement of the taxation year, the amount allowed as a deduction under subsection (1) in respect of the property shall not exceed that proportion of the maximum amount allowable that the number of months during which the property was used is of 12.

(4) Where the taxpayer has disposed of a property before the end of the taxation year, the amount allowed as a deduction under subsection (1) in respect of the property shall not exceed that proportion of the maximum allowable that the number of months during which the property was used is of 12.

(5) Where the taxpayer is a corporation, the aggregate of the allowances under this section shall not exceed the amount deducted in respect of such allowances in computing the income or profit for the taxation year shown on the financial statements presented to the shareholders or members.

1701. The amount allowed as a deduction under section 1700 in respect of a property shall not exceed the amount by which the "capital cost" of the property to the taxpayer exceeds the aggregate of the deductions from income allowed under this Part in respect of the property for previous taxation years.

1702. (1) Nothing in this Part shall be construed as allowing a deduction in respect of a property

- (a) the cost of which is deductible in computing the taxpayer's income,
- (b) that is described in the taxpayer's inventory.
- (c) that was acquired by an expenditure in respect of which the taxpayer is allowed a deduction from income under section 65 of this Act,
- (d) that is included in a class established by the Canadian Vessel Construction Assistance Act,
- (e) that was not used in the business during the year,
- (f) that is
 - (i) an animal,
 - (ii) an herb, tree, shrub or similar growing thing,
 - (iii) land tile, or
- (g) that was not acquired by the taxpayer for the purpose of gaining or producing income from farming or fishing.

(2) The properties referred to in section 1700 shall be deemed not to include the land upon which a property described therein was constructed or is situated.

(3) Where the taxpayer is a non-resident person, the properties referred to in section 1700 shall be deemed not to include property that is situated outside of Canada.

1703. (1) Where a taxpayer is an individual and his income for the taxation year includes income from a busi-

ness the fiscal period of which does not coincide with the calendar year, in respect of depreciable properties acquired for the purpose of gaining or producing income from the business, a reference in this Part to

(a) "the taxation year" shall be deemed to be a reference to the fiscal period of the business, and

(b) "the end of the taxation year" shall be deemed to be a reference to the end of the fiscal period of the business.

(2) Except as otherwise provided, "depreciable cost to the taxpayer of property" means the actual cost of property to the taxpayer or the amount at which he is deemed to have acquired the property under subsection (4) of section 20 of the Act, as the case may be.

(3) Where the taxpayer has, in a taxation year, regularly used a property in part for the purpose of gaining or producing income from farming or fishing and in part for a purpose other than gaining or producing income, the depreciable cost of the property for the purpose of this Part is the proportion of the amount that would otherwise be the depreciable cost that the use regularly made of the property for the purpose of gaining or producing income from farming or fishing is of the whole use regularly made of the property.

(4) Where a taxpayer has received or is entitled to receive a grant, subsidy or other assistance from a government, municipality or other public authority in respect of or for the acquisition of property, the depreciable cost is the amount that would otherwise be the depreciable cost thereof to the taxpayer minus the amount of the grant, subsidy or other assistance.

(5) Where property did belong to one person (hereinafter referred to as the original owner) and has, by one or more transactions between persons not dealing at arms length, become vested in a taxpayer, the depreciable cost of the property to the taxpayer is the lesser of

- (a) the actual capital cost of the property to the taxpayer or
- (b) the amount by which the actual capital cost of the property to the original owner exceeds the aggregate of
 - (i) the total amount of depreciation for the property that, since the commencement of 1917, has been or should have been taken into account in accordance with the practice of the Department of National Revenue, in ascertaining the income of the original owner and all intervening owners for the purpose of the Income War Tax Act, or in ascertaining a loss for a year when there was no income under that Act, and
 - (ii) any accumulated depreciation reserves that the original owner or an intervening owner had for the property at the commencement of 1917 and that were recognized by the Minister for the purpose of the Income War Tax Act, and
 - (iii) the aggregate of the deductions, if any, allowed under this Part in respect of the property to the original owner and all intervening owners.

DEPRECIATION

Depreciation of assets used for the purpose of gaining or producing income from farming or fishing is governed by Income Tax Regulations Part XVII—pages 3 and 4 of this Guide.

The assets listed below indicate the maximum rates applicable to those items usually used in these businesses.

Depreciation is only allowed on that proportion of the cost of the asset which corresponds to the proportion of use made for business purposes.

Maximum Rates of Depreciation Allowable

Aeroplanes.....	15%
Automobiles.....	15%
Bee Equipment.....	10%
Binders.....	10%
Boats and component parts.....	7½%
Breakwaters—Cement or Stone.....	2½%
—Wood.....	5%
Bridges—Cement, Steel or Stone.....	2½%
—Wood.....	5%
Buildings—Brick, Cement or Stone.....	2½%
—Wood or Portable.....	5%
Cleaners—Grain or Seed.....	10%
Combines—Drawn.....	10%
—Self-propelled.....	15%
Coolers—Milk.....	10%
Corn Binders.....	10%
Cream Separators.....	10%
Cultivators.....	10%
Cutting Boxes.....	10%
Dams—Cement or Stone.....	2½%
—Wood.....	5%
Discs.....	10%
Diggers—All Types.....	10%
Docks—Cement, Steel or Stone.....	2½%
—Wood.....	5%
Drills—All Types.....	10%
Dugouts—Cement or Stone.....	2½%
—Wood.....	5%
Electric Light Plants and Batteries.....	10%
Electric Motors.....	10%
Electric Power Lines.....	10%
Engines—Stationary.....	10%
Fences—All Types.....	5%
Graders—Fruit or Vegetable.....	10%
Grain Separators.....	10%
Grinders.....	10%
Harness.....	10%
Harrows.....	10%

Hay Balers—Drawn.....	10%
—Self-propelled.....	15%
Hay Loaders.....	10%
Ice Machines.....	10%
Incubators.....	10%
Irrigation Equipment.....	10%
Manure Spreaders.....	10%
Milking Machines.....	10%
Mixers.....	10%
Mowers.....	10%
Nets—See Note.....	10%
Office Equipment.....	10%
Piers—Cement, Steel or Stone.....	2½%
—Wood.....	5%
Planters—All Types.....	10%
Ploughs.....	10%
Pumps.....	10%
Radar or Radio Equipment.....	15%
Rakes.....	10%
Rollers.....	10%
Silo Fillers.....	10%
Sleighs.....	15%
Sprayers.....	10%
Stalk Cutters.....	10%
Swathers.....	10%
Tedders.....	10%
Tillers—All Types.....	10%
Threshers.....	10%
Tractors.....	15%
Trailers.....	15%
Trucks.....	15%
Wagons.....	15%
Water Towers—Cement or Steel.....	2½%
—Wood.....	5%
Welding Equipment.....	10%
Well Equipment.....	10%
Wharves—Cement, Steel or Stone.....	2½%
—Wood.....	5%
Windchargers or Windmills.....	10%

NOTE: As an alternative to depreciation on Nets the loss in value may be claimed as an expense based on the following example:—

Value of Nets on hand beginning of year.....	\$2500
Cost of Nets purchased.....	800
.....	3300
Value of Nets on hand end of year.....	2000
.....	1300
Received for sale of Nets.....	500
Claimed as an expense of year.....	\$ 800

Financial Position at End of Period

If your income is reported on the accrual basis, attach balance sheet showing details of your financial position at the end of your fiscal period.

NOW TURN TO PAGE 2 OF THE T.1 GENERAL 1949.

Your Income and Deductions

SUMMARY OF INCOME

Bring your NET INCOME figure reported on Page 4 of the form under Part 3, ADJUSTMENTS TO NET INCOME to Page 2, Item C. Complete also Item A if you have received income from SALARIES, WAGES or PENSION.

If you have income from investments, the details should be shown on the left-hand side of Page 3 under

INVESTMENT INCOME. Space is provided for all types of investment income and for the deduction of any expenses that may be allowed against such income. The total of your investment income should be shown at the bottom, and carried to Page 2, Item D, INVESTMENTS. It is to be noted that special provision is made for reporting dividends from taxable Canadian corporations as distinct from other dividends. This is because a tax credit is allowed on Page 2 for such dividends.

If you had income from sources other than those already covered, the amount of such income should be entered under Item E, ALL OTHER SOURCES.

You have now completed the summary of your income. Add the items, if there are more than one, and enter the total in the space by NET INCOME.

At this point, Page 2 of your return might appear thus:

DO NOT INCLUDE THE FOLLOWING EXEMPT INCOME—

• Family Allowances • Unemployment Insurance Benefits • Workmen's Compensation Payments • War Disability Pensions • Non-taxable portion of Pension or Annuity Income • War Service Gratuities • Re-establishment Credits, and Educational, Vocational and Technical Training Benefits received by discharged members of the Armed Forces or their dependents.

SUMMARY OF INCOME FROM

A. SALARIES, WAGES, PENSION (Attach 1949 T4 Slips)

Total received in Salaries, Wages, Bonus, Pension, Subsistence Allowance, Gratuities or Tips, or other like income (before Income Tax or Pension Deductions) . . . \$

Add Value of Free Board and Living Accommodation . . . \$

TOTAL \$

Less approved Pension Plan Deduction . . . \$

B. BUSINESS, PROFESSION, COMMISSIONS

C. FARMING, FISHING

Determine Net Income on Page 4 and enter here . . . \$ 4,110.00

D. INVESTMENTS—Complete statement on Page 3 . . . \$ 45.00

E. ALL OTHER SOURCES (including Directors', Executors' and other fees) Specify

TOTAL \$ 4,155.00

Less: Alimony or Separation Allowance Paid to (Name and Address) \$

NET INCOME \$ 4,155.00

DEDUCTIONS

Personal Exemptions

You should next complete your CLAIM FOR PERSONAL EXEMPTIONS which is on the right-hand side of Page 3.

The following information is drawn to your attention:

A. Every taxpayer may claim the basic exemption of \$1,000. This amount should be written in at once.

B. A special exemption of \$500 is permitted if you were 65 years of age or over at any time in 1949. (Item 1, Page 3)

C. An additional exemption up to \$1000 may be claimed for married or equivalent status in Item 2, Page 3.

D. An exemption for wholly dependent children or other dependents may be claimed in Item 3, Page 3.

Charitable Donations

Your claim for Charitable Donations should now be entered. This amount must not be over 10% of your NET INCOME. Attach receipts covering your claim for Charitable Donations.

Medical Expenses

Medical Expenses may be claimed only if the total of the expenses is more than 4% of your NET INCOME. The amount *over* 4% of your NET INCOME is the amount that you may claim but not more than:

- A. \$750 for a single person
- B. \$1000 for a married person, and
- C. \$250 for each dependent (maximum \$1000).

The deductions should now be added and the resulting total subtracted from NET INCOME. The balance is your TAXABLE INCOME. See example below.

DEDUCTIONS

NET INCOME \$ 4,155.00

PERSONAL EXEMPTIONS—Complete statement on Page 3 \$ 2,300.00

CHARITABLE DONATIONS (Attach Receipts) Maximum 10% of NET INCOME \$ 52.00

MEDICAL EXPENSES—See note on Page 3

Total of Attached Receipts	\$ <u>200.20</u>
Less: 4% of Net Income	\$ <u>166.20</u>
Medical Expenses Deductible—Not to exceed maximum allowable	\$ <u>34.00</u>

\$ 34.00 \$ 2,386.00
TAXABLE INCOME \$ 1,769.00

Calculation of Income Tax

Farmers and Fishermen averaging their income in 1949 will enter as
TAX PAYABLE the tax for 1949 as determined on the
"Election to Average Income" form.

Enter in the space on the right of "INCOME TAX—Taxable Income" the amount of TAXABLE INCOME which you have determined above. (In the example, \$1769).

Now refer to the RATES OF TAX at the foot of Page 2. In the column "Taxable Income" look for the amount which is closest to but smaller than your taxable income. To the right of this amount, you will find the tax in dollars and the rate of tax on the remainder. (In the example, \$1000 is the amount closest to but smaller than the taxable income, 150 is the tax in dollars and 17% is the rate of tax on the remainder.)

Returning to section "INCOME TAX—Taxable

Income" enter in the space at the right of "On the first" the amount which you have chosen from the RATES OF TAX. Enter the tax in dollars in the space provided farther to the right on the same line.

Subtract from the amount entered at the right of "Taxable Income" the amount entered in the space at the right of "On the first", (in the example \$1769 minus \$1000) and enter the difference at the right of "On Remaining". (In the example \$769). Enter the rate of tax in the space provided on this line. Then calculate the tax on the remaining amount and enter that tax on the same line still farther to the right. Add the two tax amounts and enter the total in the space at the extreme right.

INCOME TAX—Taxable Income \$ 1,769

On the first \$ 1,000 Tax is (See Rates below) \$ 150.00

On remaining \$ 769 Tax at 17 % is \$ 130.73 \$ 280.73

SURTAX on Investment Income

An extra tax of 4% may be payable if your investment income as shown in Item D of the SUMMARY OF INCOME is over \$2400.

You may deduct from your investment income as an exemption the greater of:

- (a) \$2400, OR
- (b) the total of your personal exemptions as shown on Page 2 of the T.1 General 1949.

DEDUCT—10% of NET dividends from taxable Canadian corporations.

This amount must not exceed the TOTAL TAX and may be reduced if the income from such Dividends has been reduced by losses sustained by other sources of income.

CREDIT for Foreign Taxes

This credit *only* applies if you received income from any country other than Canada and if you paid income tax to that country.

CALCULATION

- (1) If you are required to pay SURTAX add the amount to the total income tax you calculated under INCOME TAX.
- (2) If you have a credit for dividends received from taxable Canadian corporations, deduct 10% of the NET dividends from your TOTAL TAX which will give you your NET TAX.

- (3) Should you have a credit for foreign taxes paid, calculate the amount of the credit and deduct this amount from your NET TAX. This will provide your TAX PAYABLE.

BALANCE OF TAX PAYABLE

Deduct from your tax payable the instalment or other payments made and tax deducted at source if any. The

resulting amount is your balance of tax payable. This amount is required to be paid on or before 30th April, 1950. If your return is not filed on or before 30th April, 1950 you must add 5% of balance of tax payable as a penalty for late filing.

It may be to your advantage to average your income. Refer to Page 9 of this guide for information on AVERAGING OF INCOME.

CALCULATION OF INCOME TAX

Your calculation of income tax when completed might look like this:

INCOME TAX—Taxable Income \$ 1,769
 On the first \$ 1,000 Tax is (See Rates below) . . . \$ 150.00
 On remaining \$ 769 Tax at 17 % is . . . \$ 130.73 \$ 280.73
 SURTAX ON INVESTMENT INCOME OVER \$2,400—

INVESTMENT INCOME—from Page 3	\$
Deduct: Alimony paid	\$
Medical Expenses Deductible—As above	\$
Charitable Donations—As above	\$
Exemption—Greater of \$2,400 or Personal Exemptions. \$ <u>2,400</u>	\$
Surtax is 4% of this amount	\$

TOTAL TAX \$ 280.73

DEDUCT—10% of NET dividends from taxable Canadian corporations (not to exceed TOTAL TAX)* . . . \$
*The deduction may also be limited if the Net income from these dividends is reduced by losses on other sources of income. For details consult your District Income Tax Office.
 NET TAX \$

CREDIT FOR FOREIGN TAXES—

A. Tax paid to foreign country	\$
B. { Foreign Income \$ <u> </u> × Net Tax (Canadian) \$ <u> </u> } { Net Income \$ <u> </u> } = \$ <u> </u>		
Deduct the lesser of A or B		\$ <u> </u>
If you have not been a RESIDENT of Canada during the whole of 1949, communicate with your District Income Tax Office for information as to calculation of tax credits to which you are entitled.		

TAX PAYABLE \$ 280.73

LESS:—TAX DEDUCTED AT SOURCE \$
 INSTALMENT OR OTHER PAYMENTS \$ 176.00 \$ 176.00

BALANCE OF TAX PAYABLE \$ 104.73

PENALTY FOR LATE FILING (5% of Tax unpaid at 30th April, 1950—Maximum \$500) \$

BALANCE OF TAX AND PENALTY PAYABLE \$ 104.73

PAYMENT HEREWITH \$ 104.73

SPECIAL FEATURES OF FARM AND FISHERY INCOME TAX

The following are general principles applicable to special features of The Income Tax Act. Particular cases

will always be governed by the provisions of The Income Tax Act and Regulations.

LOSSES

Where a loss occurs in a business which is ordinarily a taxpayer's chief source of income, it is first reduced by the income of the year from any other source. A business profit which is less than the exemptions does not constitute a loss. A loss is only sustained when the expenses exceed the income of the year from all other sources.

The loss not absorbed by other incomes of the year is first offset against the income of the immediately preceding year. If the income of that year is less than the loss, the balance of the loss is offset against the profits of succeeding years, not exceeding five, in strict order.

To illustrate—A 1949 loss not offset by other income of 1949 is first used to reduce 1948 income. If income of that year is less than the loss, the balance of the loss reduces the profits of 1950; if not absorbed in 1950, the remainder reduces the profits of 1951 and so on.

	Profits	Application of loss	Revised Profits
1948	\$3,000.....	\$3,000	Nil
1949	(\$5,000) loss.....	Nil	Nil
1950	\$1,000.....	\$1,000	Nil
1951	\$2,000.....	\$1,000	\$1,000

If there are losses in two or more years both of which could be deducted from the profits of another year, the first year of loss must be absorbed before the other losses can be applied.

There is only one exception to the general application of losses. When the income is averaged, a loss in the year immediately following the period which has been averaged cannot be taken back into the averaged period. It must be deducted from the profits of the years following the year of loss, not exceeding five.

If further information about losses is required, enquire at your District Income Tax Office.

AVERAGING OF INCOME

If your chief source of income during each of the years 1946, 1947, 1948 and 1949 is from farming or fishing, you may average your entire income for those four years, or you may wait until 1950 and average your income for five years. The 1946 to 1949 period is the only four-year period. All subsequent periods must be for five years.

In order to be eligible to average your income, it is necessary that income tax returns be filed for each year.

You are not required to start your averaging period in 1949 or 1950 but if you start after 1949 you must use five consecutive years and no one year may be included in two averaging periods. Thus, if you average in 1949 for 1946, 1947, 1948 and 1949, your next averaging period will be for the years 1950, 1951, 1952, 1953 and 1954.

If you start in 1950 and average 1946, 1947, 1948, 1949 and 1950, your next period will be 1951, 1952, 1953, 1954 and 1955.

You must also file form "Election to Average Income" with your District Income Tax Office on or before 30th April of the year following the last year of the averaging period.

If you are planning to average your income, obtain two copies of form "Election to Average Income" from your District Income Tax Office.

Complete these forms, forward one to your District Office and retain the other for your personal reference.

How to complete form ELECTION TO AVERAGE INCOME

Read carefully the instructions at the top of the form and fill in your name and address.

Calculation of Income Tax—Averaged Basis
Period 1946-1949 inclusive.

1. Net Income

This figure may be obtained from your copy of the income tax returns which were filed for the years 1946, 1947, 1948 and from your statement of income for 1949. It is, however, subject to any changes made by the Department in assessing your returns. These changes were reported to you on form T.7W which was attached to your Assessment Notice for the year in which the changes were made.

Net Income for 1946 is item 11A (3) on the T.1 General
or item 12H on the T.1 Special

Net Income for 1947 is item 11C on the T.1 General
13G on the T.1 Special
10C on the T.1 Farmer

Net Income for 1948 and 1949 is clearly shown as Net Income on the T.1 General.

If a loss occurred in any year within the averaging period it must be applied as explained above—see LOSSES. It is the income, after losses have been applied, which is averaged. If a loss has not been completely absorbed by the end of 1949, the balance of the loss must be withheld until 1950.

2. Less: Charitable Donations allowed, and

3. Medical Expenses allowed.

Deduct from the "Net Income" the amount which was previously allowed to you for Charitable Donations and Medical Expenses for the years 1946, 1947, 1948, and the amount you are entitled to claim against your income in 1949 before it is averaged.

4. Income before Personal Exemptions.

These amounts are the result of subtracting the totals of Items 2 and 3 from Item 1. The amounts on Item 4 should be added and the total entered in the TOTAL column at the right.

5. Averaged Income ($\frac{1}{4}$ of TOTAL above)

Divide the amount in the TOTAL column above by 4 and enter the one-quarter in each of the four columns.

6. Less: Personal Exemptions.

For each of the years except 1946, deduct the personal exemptions which were allowed. No deduction is to be made for 1946 as allowance for personal exemptions is included in the tax calculation.

7. Taxable Averaged Income.

This amount is the result of subtracting Item 6 from Item 5.

8. Income Tax on Taxable Averaged Income at rates for each year.

Calculate the income tax on the taxable averaged income, (Item 7) for each year using the rates applicable to that year. These rates will be found in the tables on Pages 11 and 12 of this guide. Add and extend under TOTAL.

9. Less: Income Tax Assessed 1946-1947-1948.

Enter the amount of income tax for which you have been assessed for the years 1946, 1947 and 1948; add and extend under TOTAL.

10. The difference between the totals of Items 8 and 9 is the tax or refund for 1949.

Your calculation might appear as in the illustration below.

If you find that it is not to your advantage to average your income, it is not compulsory for you to do so.

If you are entitled to a refund, a cheque will be forwarded without further action on your part as soon as your return and calculation have been examined.

CALCULATION OF INCOME TAX — AVERAGED BASIS

Items 1, 2, 3 and 6 are not Applicable to Corporations.
Corporations Will Enter "Income Subject to Tax" in Item 4.

	1946	1947	1948	1949	TOTAL
1. Net Income	\$ 5,030.	\$ 6,130.	\$ 1010.	\$ 2,020.	
2. Less : Charitable Donations allowed	30.	40.	10.	20.	
3. Medical Expenses allowed	—	90.	—	—	
4. Income before Personal Exemptions	5,000.	6,000.	1,000.	2,000.	\$ 14,000.
5. Averaged Income ($\frac{1}{4}$ of TOTAL above)	3,500	3,500.	3,500.	3,500.	
6. Less : Personal Exemptions	NIL*	1,500	1,500	2,000.	
7. Taxable Averaged Income	3,500	2,000	2,000	1,500	
8. Income Tax on Taxable Averaged Income at rates for each year	650.50	446.25	370.	235.	\$ 1,701.75
9. Less : Income Tax Assessed 1946-47-48	1,157.52	1086.25		X X X X	\$ 2,243.77
10. The difference between the totals of Items 8 and 9 is the TAX OR REFUND for 1949 on Averaged Income (Enter this amount on Income Tax Return)				REFUND	\$ 542.02

*No deduction is to be made for 1946 as allowance for personal exemptions is included in the tax calculation.

TAX CALCULATION TABLES 1946

SINGLE STATUS

Single—No Dependents

Income Range		Tax on Minimum of Range	% of Income over Minimum
Over \$	But not Over \$	\$	
660-	815	Nil	+33 $\frac{1}{3}$ %
815-	943	51.67	+18 $\frac{1}{2}$ %
943-	1,160	75.47	+29%
1,160-	1,660	138.40	+32%
1,660-	1,800	298.40	+36%
1,800-	2,660	366.80	+37%
2,660-	3,000	685.00	+41%
3,000-	4,160	854.40	+42%
4,160-	5,660	1,341.60	+46%
5,660-	8,660	2,031.60	+51%
8,660-	10,000	3,561.60	+56%
10,000-	13,660	4,312.00	+64%

Single—One Dependent

Income Range		Tax on Minimum of Range	% of Income over Minimum
Over \$	But not Over \$	\$	
660-	690	Nil	+33 $\frac{1}{3}$ %
690-	927	10.00	+3 $\frac{1}{2}$ %
927-	1,160	18.50	+18 $\frac{1}{2}$ %
1,160-	1,550	61.60	+20%
1,550-	1,660	139.70	+31%
1,660-	1,800	173.80	+35%
1,800-	2,660	240.80	+36%
2,660-	3,000	550.40	+40%
3,000-	4,160	716.40	+41%
4,160-	5,660	1,192.00	+45%
5,660-	8,660	1,867.00	+50%
8,660-	10,000	3,367.00	+55%

Single—Two Dependents

Income Range		Tax on Minimum of Range	% of Income over Minimum
Over \$	But not Over \$	\$	
660-	800	—	—
800-	1,191	Nil	+3 $\frac{1}{2}$ %
1,191-	1,660	13.80	+20%
1,660-	1,800	107.60	+22%
1,800-	2,061	147.40	+22 $\frac{1}{2}$ %
2,061-	2,660	206.15	+35%
2,660-	3,000	415.80	+39%
3,000-	4,160	578.40	+40%
4,160-	5,660	1,042.40	+44%
5,660-	8,660	1,702.40	+49%
8,660-	10,000	3,172.40	+54%
10,000-	13,660	3,896.00	+64%

Single—Three Dependents

Income Range		Tax on Minimum of Range	% of Income over Minimum
Over \$	But not Over \$	\$	
660-	1,200	—	—
1,200-	1,433	Nil	+3 $\frac{1}{2}$ %
1,433-	1,660	8.20	+20%
1,660-	1,800	53.60	+22%
1,800-	2,660	93.40	+22 $\frac{1}{2}$ %
2,660-	2,703	286.90	+24 $\frac{1}{2}$ %
2,703-	3,000	297.54	+38%
3,000-	4,160	440.40	+39%
4,160-	5,660	892.80	+43%
5,660-	8,660	1,537.80	+48%
8,660-	10,000	2,977.80	+53%
10,000-	13,660	3,688.00	+64%

MARRIED STATUS

Married—No Dependents

Income Range		Tax on Minimum of Range	% of Income over Minimum
Over \$	But not Over \$	\$	
1,200-	1,564	Nil	+33 $\frac{1}{3}$ %
1,564-	1,660	121.33	+20%
1,660-	1,872	140.60	+22%
1,872-	2,660	187.28	+34%
2,660-	4,160	455.20	+38%
4,160-	5,660	1,025.20	+42%
5,660-	8,660	1,655.20	+47%
8,660-	10,000	3,065.20	+52%
10,000-	13,660	3,762.00	+62%

Married—One Dependent

Income Range		Tax on Minimum of Range	% of Income over Minimum
Over \$	But not Over \$	\$	
1,200-	1,293	Nil	+33 $\frac{1}{3}$ %
1,293-	1,403	31.00	+3 $\frac{1}{2}$ %
1,403-	1,660	35.20	+20%
1,660-	2,533	86.60	+22%
2,533-	2,660	278.69	+33%
2,660-	4,160	320.60	+37%
4,160-	5,660	875.60	+41%
5,660-	8,660	1,490.60	+46%
8,660-	10,000	2,870.60	+51%

Married—Two Dependents

Income Range		Tax on Minimum of Range	% of Income over Minimum
Over \$	But not Over \$	\$	
1,200-	1,246	Nil	+33 $\frac{1}{3}$ %
1,246-	1,645	15.33	+3 $\frac{1}{2}$ %
1,645-	1,660	29.60	+20%
1,660-	2,660	32.60	+22%
2,660-	3,215	252.60	+24%
3,215-	4,160	385.80	+36%
4,160-	5,660	726.00	+40%
5,660-	8,660	1,326.00	+45%
8,660-	10,000	2,676.00	+50%

Married—Three Dependents

Income Range		Tax on Minimum of Range	% of Income over Minimum
Over \$	But not Over \$	\$	
1,200-	1,863	Nil	+3 $\frac{1}{2}$ %
1,863-	2,660	23.26	+22%
2,660-	3,999	198.60	+24%
3,999-	4,160	520.05	+35%
4,160-	5,660	576.40	+39%
5,660-	8,660	1,161.40	+44%
8,660-	10,000	2,481.40	+49%
10,000-	13,660	3,138.00	+62%
13,660-	20,660	5,407.20	+67%

Married—Four Dependents

Income Range		Tax on Minimum of Range	% of Income over Minimum
Over \$	But not Over \$	\$	
1,200-	1,600	—	—
1,600-	2,079	Nil	+3 $\frac{1}{2}$ %
2,079-	2,660	16.78	+22%
2,660-	4,160	144.60	+24%
4,160-	4,809	504.60	+26%
4,809-	5,660	673.42	+38%
5,660-	8,660	996.80	+43%
8,660-	10,000	2,286.80	+48%
10,000-	13,660	2,930.00	+62%

Married—Five Dependents

Income Range		Tax on Minimum of Range	% of Income over Minimum
Over \$	But not Over \$	\$	
1,200-	2,000	—	—
2,000-	2,296	Nil	+3 $\frac{1}{2}$ %
2,296-	2,660	10.51	+22%
2,660-	4,160	90.60	+24%
4,160-	5,660	450.60	+26%
5,660-	5,723	840.60	+28 $\frac{1}{2}$ %
5,723-	8,660	858.66	+42%
8,660-	10,000	2,092.20	+47%
10,000-	13,660	2,722.00	+62%

Married—Six Dependents

Income Range		Tax on Minimum of Range	% of Income over Minimum
Over \$	But not Over \$	\$	
1,200-	2,400	—	—
2,400-	2,512	Nil	+3 $\frac{1}{2}$ %
2,512-	2,660	4.04	+22%
2,660-	4,160	36.60	+24%
4,160-	5,660	396.60	+26%
5,660-	6,612	786.60	+28 $\frac{1}{2}$ %
6,612-	8,660	1,057.92	+41%
8,660-	10,000	1,897.60	+46%
10,000-	13,660	2,514.00	+62%

Married—Seven Dependents

Income Range		Tax on Minimum of Range	% of Income over Minimum
Over \$	But not Over \$	\$	
1,200-	2,721	—	—
2,721-	2,800	Nil	+20 $\frac{1}{2}$ %
2,800-	4,160	16.20	+24%
4,160-	5,660	342.60	+26%
5,660-	7,657	732.60	+28 $\frac{1}{2}$ %
7,657-	8,660	1,301.80	+40%
8,660-	10,000	1,703.00	+45%
10,000-	13,660	2,306.00	+62%
13,660-	20,660	4,575.20	+67%

When you have arrived at the tax payable by using the TAX TABLES it will be necessary for you to reduce this amount by 16%. To this, add the amount of Family Allowances which is recoverable. Family Allowances received on behalf of dependent children must be taken into account based on the averaged income according to the following table.

TABLE FOR PERSONS WITH MARRIED STATUS.

Taxable Income		Percentage to be Added to Tax	
Over	But Not Over	1, 2 or 3 dependents	4 or more dependents
\$1,300	\$1,400	5	—
1,400	1,600	15	10
1,600	1,800	25	20
1,800	2,000	35	30
2,000	2,200	45	40
2,200	2,400	55	50
2,400	2,600	65	60
2,600	2,800	75	70
2,800	3,000	85	80
3,000	3,200	95	85
3,200	3,400	100	90
3,400	3,600	100	95
3,600		100	100

TABLE FOR PERSONS WITH SINGLE STATUS.

Taxable Income		Percentage to be Added to Tax	
Over	But Not Over	1 or 2 dependents	3 or more dependents
\$ 700	\$ 800	5	—
800	900	15	10
900	1,000	25	20
1,000	1,100	35	30
1,100	1,200	45	40
1,200	1,300	55	50
1,300	1,400	65	60
1,400	1,500	75	70
1,500	1,600	85	80
1,600	1,700	95	85
1,700	1,800	100	90
1,800	1,900	100	95
1,900		100	100

Amount of Family Allowances received for dependents as per "1946 Family Allowances Statement" \$.....
(number)

Amount of Recovery is % of \$..... equal to \$.....

Example: A married man having an averaged income of \$2,880 who received Family Allowances of \$132 on behalf of two children would compute this amount of recovery as follows:

Family Allowances received—\$132

Amount of Recovery = 85% of \$132 = \$112.20

This would be the amount which should be added to the tax previously calculated on the income of \$2,880.

FAMILY ALLOWANCES RECOVERY IS ONLY APPLICABLE TO 1946.

1947 RATES OF TAX

On the first \$100 of Net Taxable Income or any portion thereof 16% per annum; or

\$16.00 on income of	\$100 and 17%	on the amount over	\$100 but not over	\$200; or
\$33.00 "	\$200 and 18%	"	"	\$250; or
\$12.00 "	\$250 and 19½%	"	\$250	\$300; or
\$51.75 "	\$300 and 20½%	"	\$300	\$400; or
\$72.25 "	\$400 and 21½%	"	\$400	\$500; or
\$93.75 "	\$500 and 22½%	"	\$500	\$1,000; or
\$206.25 "	\$1,000 and 24%	"	\$1,000	\$2,500; or
\$566.25 "	\$2,500 and 25½%	"	\$2,500	\$3,500; or
\$821.25 "	\$3,500 and 26½%	"	\$3,500	\$4,500; or
\$1,086.25 "	\$4,500 and 28%	"	\$4,500	\$5,000; or
\$1,226.25 "	\$5,000 and 30%	"	\$5,000	\$6,500; or
\$1,676.25 "	\$6,500 and 34%	"	\$6,500	\$8,500; or
\$2,356.25 "	\$8,500 and 38½%	"	\$8,500	\$10,500

1948 RATES OF TAX

On the first	\$	100 and	\$	100 Rate of Tax is 10%	
Between	\$	200	"	200 Tax is	\$ 10 + 12% on excess over \$ 100
"	\$	300	"	300 Tax is	\$ 22 + 14% on excess over \$ 200
"	\$	400	"	400 Tax is	\$ 36 + 16% on excess over \$ 300
"	\$	500	"	500 Tax is	\$ 52 + 18% on excess over \$ 400
"	\$	3,500	"	3,500 Tax is	\$ 70 + 20% on excess over \$ 500
"	\$	5,000	"	5,000 Tax is	\$ 670 + 22% on excess over \$ 3,500
"	\$	6,500	"	6,500 Tax is	\$ 1,000 + 26% on excess over \$ 5,000
"	\$	8,500	"	8,500 Tax is	\$ 1,390 + 30% on excess over \$ 6,500
"	\$	11,500	"	11,500 Tax is	\$ 1,990 + 35% on excess over \$ 8,500
"	\$	14,000	"	14,000 Tax is	\$ 3,040 + 40% on excess over \$ 11,500

BASIC HERD DIRECTIVE NO. 263

ESTABLISHMENT OF A BASIC HERD FOR CATTLE, HORSES, SHEEP OR SWINE

1. INTRODUCTION

A taxpayer who is engaged in the business of the production for sale of livestock or livestock products and who maintains a permanent herd of cattle, horses, sheep or swine for that purpose, may have such permanent herd approved as a Basic Herd for income tax purposes on the conditions set forth herein.

If both registered and grade animals are maintained, a separate Basic Herd must be established for each class, provided that where the number of animals in either class does not exceed 10% of the total Basic Herd it will be unnecessary to establish a separate Basic Herd for each class.

2. TAXPAYERS ELIGIBLE

Application for approval of a Basic Herd may be made by any taxpayer who was engaged in livestock operations on or after 1st January, 1947 and who has filed income tax returns

- (i) for all years since the commencement of the livestock operations, or
- (ii) for the three consecutive years immediately preceding the date as of which the Basic Herd is to be established, whichever is the lesser period.

Provided, however, a taxpayer who was engaged in livestock operations prior to 1st January, 1947 who has filed income tax returns as required above and who

- (a) had a dispersal sale prior to 1st January, 1947;
- (b) has not been assessed for income tax for the year in which such sale took place or whose assessment for that year has been issued since 4th September, 1947;
- (c) makes application hereunder prior to 31st December, 1949, and submits all the facts relating to such sale, will be eligible for the benefits provided for by this Directive in the assessment or re-assessment of his income for the year in which the sale took place.

3. DATE AS OF WHICH THE BASIC HERD MAY BE ESTABLISHED

Approval of a Basic Herd may be applied for to be effective as of:

- (1) 1st January, 1947 for a taxpayer who was engaged in livestock operations on that date, or
- (2) The date of commencement of operations, if operations commenced subsequent to 1st January, 1947.

4. FORM AND TIME OF APPLICATION

The application must be made on the form prescribed by the Minister of National Revenue. This form is obtainable from any District Income Tax Office.

- (1) In the event of a dispersal sale between 1st January, 1947 and 30th June, 1949 the application must be made on or before 31st December, 1949.
- (2) In the event of the death of a taxpayer who was eligible to apply but had not done so, application must be made by his executor or his administrator within six months of the date of death of such taxpayer.
- (3) In the event of a dispersal sale after 30th June, 1949, (other than on the death of a taxpayer) an application must have been filed at least 30 days prior to the date of sale.

5. DETERMINATION OF A BASIC HERD

The number of animals in the Basic Herd cannot at any time exceed the number of animals on hand.

Animals purchased for feeder operations may not be included in the Basic Herd.

The Basic Herd will be determined as the number of animals or their replacements (expressed in terms of mature animals) which the taxpayer can establish to have been acquired by

- (a) Gift.
- (b) Inheritance.
- (c) Purchase in any taxation year provided that no part of the cost was charged against income.
- (d) Purchase which has been charged against the income of the 1946 or a prior taxation year but only to the extent that the cost of such animals could have been added to income of the same year without increasing such income to a taxable amount.
- (e) Natural increase where the animal became mature in 1946 or a prior taxation year but only to the extent that in the year in which the animal attains maturity the fair market value of such mature animal can be added to the income of that year without increasing such income to a taxable amount.

A taxpayer on an accrual basis who was in the business on 1st January, 1947 will be entitled as of that date to a Basic Herd consisting of the total number of animals in his inventory (expressed in terms of mature animals). If a taxpayer was reporting income for tax purposes for a fiscal period other than a calendar year the inventory of the taxation year which includes 1st January, 1947 will be used.

6. INCREASING BASIC HERD

The number of animals in the Basic Herd may be increased in subsequent taxation years by the addition of mature animals acquired as set forth under Sections (a), (b), and (c) of clause 5 "Determination of a Basic Herd" and by natural increase represented by mature animals provided that the fair market value of such animals is added to the income of the taxation year in which the animals attain maturity.

7. DECREASING BASIC HERD

Where the total herd is reduced either by sale or any other cause to a point where the total number of animals (expressed in terms of mature animals) on hand is less than the number of animals determined as the Basic Herd, the difference between the number of animals remaining on hand and the Basic Herd will be deemed to be a capital disposition. The Basic Herd will be reduced by this number of animals and the proceeds thereof, if any, shall be deemed to be a capital realization, not subject to income tax.

The average price of all animals (expressed in terms of mature animals) sold in the year in which the Basic Herd is reduced shall be used in determining the amount of capital realization. In arriving at this average price, the sale of a female with progeny, if sold together, shall be counted as the sale of one animal.

8. DEFINING MATURE ANIMALS

For the purpose of this Directive a mature animal is one which has attained the actual age of two (2) years in the case of cattle, three (3) years in the case of horses and one (1) year in the case of sheep or swine. Two (2) immature animals will be equivalent to one (1) mature animal.

9. GENERAL

The principle of a Basic Herd presupposes a permanent herd and continuity of operation. In order that the approval of a Basic Herd may be maintained a taxpayer who has been granted such approval will be required to file income tax returns annually together with such information as may be requested regarding transactions affecting the Basic Herd.

This Directive cancels Directive No. 230 dated 17th November, 1948 and Directive No. 78 dated 4th September, 1947.

The Basic Hird will be determined as the number of animals or their replacement (expressed in terms of mature animals) which the taxpayer can establish to have been acquired by

- (a) Gift.
- (b) Inheritance.
- (c) Purchase in any taxation year provided that no part of the cost was charged against income.
- (d) Purchase which has been charged against the income of the 1946 or a prior taxation year but only to the extent that the cost of such animals could have been added to income of the same year without increasing such income to a taxable amount.
- (e) Natural increase where the animal became mature in 1946 or a prior taxation year but only to the extent that in the year in which the animal attains maturity the fair market value of such mature animal can be added to the income of that year without increasing such income to a taxable amount.

A taxpayer on an accrual basis who was in the business on 1st January, 1947 will be entitled as of that date to a Basic Hird consisting of the total number of animals in his inventory (expressed in terms of mature animals). If a taxpayer was carrying income for tax purposes for a fiscal period other than a calendar year the inventory of the taxation year which includes 1st January, 1947 will be used.

6. INCREASING BASIC HIRD

The number of animals in the Basic Hird may be increased in subsequent taxation years by the addition of mature animals acquired as set forth under Section 5(a), (b), and (c) of clause 5 "Determination of a Basic Hird" and by natural increase reported by mature animals provided that the fair market value of such animals is added to the income of the taxation year in which the animals attain maturity.

7. DECREASING BASIC HIRD

Where the total herd is reduced either by sale or any other cause to a point where the total number of animals (expressed in terms of mature animals) on hand is less than the number of animals determined as the Basic Hird, the difference between the number of animals remaining on hand and the Basic Hird will be deemed to be a capital realization. The Basic Hird will be reduced by this number of animals and the proceeds thereof, if any, shall be deemed to be a capital realization not subject to income tax.

The average price of all animals (expressed in terms of mature animals) sold in the year in which the Basic Hird is reduced shall be used in determining the amount of capital realization. In arriving at this average price the sale of a female with property held together shall be counted as the sale of one animal.

8. DETERMINING MATURE ANIMALS

For the purpose of this Directive a mature animal is one which has attained the actual age of two (2) years in the case of cattle, three (3) years in the case of horses and one (1) year in the case of sheep or swine. Two (2) immature animals will be equivalent to one (1) mature animal.

9. GENERAL

The principle of a Basic Hird presupposes a permanent herd and continuity of operation. In order that the approval of a Basic Hird may be maintained a taxpayer who has been granted a Basic Hird must file to his income tax returns annually information as may be required regarding the Basic Hird.

The Directive cancels Directive No. 330 dated 17th November, 1948 and Directive No. 78 dated 4th September, 1947.

Establishment of a Basic Hird for Cattle, Horses, Sheep or Swine

1. INTRODUCTION

A taxpayer who is engaged in the business of the production for sale of livestock or livestock products and who maintains a permanent herd of cattle, horses, sheep or swine for that purpose may have such permanent herd approved as a Basic Hird for income tax purposes on the conditions set forth herein.

If both registered and grade animals are maintained, a separate Basic Hird must be established for each class provided that where the number of animals in either class does not exceed 10% of the total Basic Hird it will be unnecessary to establish a separate Basic Hird for each class.

2. TAXPAYER ELIGIBLE

Application for approval of a Basic Hird may be made by any taxpayer who was engaged in livestock operations on or after 1st January, 1947 and who has filed income tax returns

(a) for all years since the commencement of the livestock operations or

(b) for the three consecutive years immediately preceding the date as of which the Basic Hird is to be established, whichever is the longer period.

Provided, however, a taxpayer who was engaged in livestock operations prior to 1st January, 1947 who has filed income tax returns as required above and who

(a) had a disposal sale prior to 1st January, 1947;

(b) has not been assessed for income tax for the year in which such sale took place or whose assessment for that year has been issued since 4th September, 1947;

(c) makes application hereunder prior to 31st December, 1948, and submits all the facts relating to such sale will be eligible for the benefits provided for by this Directive in the assessment or re-assessment of his income for the year in which the sale took place.

3. DATES ON WHICH THE BASIC HIRD MAY BE ESTABLISHED

Approval of a Basic Hird may be applied for by the taxpayer as of:

(1) 1st January, 1947 for a taxpayer who was engaged in livestock operations on that date, or

(2) The date of commencement of operations if operations commenced subsequent to 1st January, 1947.

4. FORM AND TIME OF APPLICATION

The application must be made on the form prescribed by the Minister of National Revenue. This form is obtainable from any District Income Tax Office.

(1) In the event of a disposal sale between 1st January, 1947 and 30th June, 1949 the application must be made on or before 31st December, 1949.

(2) In the event of the death of a taxpayer who was eligible to apply but had not done so, application must be made by his executor or his administrator within six months of the date of death of such taxpayer.

(3) In the event of a disposal sale after 30th June, 1949 (other than on the death of a taxpayer) an application must have been filed at least 30 days prior to the date of sale.

5. DETERMINATION OF A BASIC HIRD

The number of animals in the Basic Hird cannot at any time exceed the number of animals on hand.

Animals purchased for feedlot operations may not be included in the Basic Hird.



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